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**ALBANY UNIFIED SCHOOL DISTRICT**

904 Talbot Avenue  
Albany, California 94706

**TO:**

FINAL REPORT

NEW REVENUE STUDY COMMITTEE







# NEW REVENUE STUDY COMMITTEE

To Investigate New Educational Funding Sources  
JAMES QUAY - CHAIRPERSON

✓ 8/26/86

86 01222

TO: MEMBERS OF THE AUSD BOARD OF EDUCATION

FROM: JIM QUAY, CHAIR, NEW REVENUE STUDY COMMITTEE

DATE: MAY 21, 1986

RE: COMMITTEE FINAL REPORT

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AUG 26 1986

UNIVERSITY OF CALIFORNIA

On behalf of the members of the New Revenue Study Committee, I am pleased to submit to you a copy of the Committee's final report. In a letter to me dated March 14, 1986, Albany Superintendent of Schools J. Dale Hudson notified me of my appointment as Chair and that "this committee will be charged with providing information and recommendations to my office regarding new revenue sources." We have done our best to fulfill that charge.

The report itself is divided into four sections:

- I. MISSION AND METHOD - Describes the charge and the procedure followed by the Committee in conducting its investigation.
- II. COMMITTEE FINDINGS - Indicates the discoveries that led the Committee to its final recommendations.
- III. COMMITTEE RECOMMENDATIONS - presents the three recommendations unanimously endorsed by all Committee members, with brief explanatory paragraphs and references to the appropriate subcommittee reports.
- IV. SUBCOMMITTEE REPORTS - Five reports on the areas of potential new revenue studied by the Committee. Please note that any recommendations contained in these reports are those of the subcommittee only.

I understand that at least 30 minutes shall be set aside at the Board meeting of May 27, 1986 for the presentation of this report to the Board. Members of the Committee have expressed willingness to attend a later Board meeting and/or a meeting for the Albany community to discuss the report and its recommendations further if it is the Board's pleasure.

In closing, I want to commend to you the efforts of the members of this Committee. They gave generously of their time and their expertise and I am proud to submit this report to which they gave so much. I stand ready to answer any questions you may have, either before the Board meeting on May 27th, or after. Thank you.

MEMBERS: Robert Harkness, Ellen Hershey, Lee Keck, Stuart Lichter, Bob Outis, Jim Quay, Alan Riffer, Dan Saulsbury, Joan Sextro, Mary Wallmann, Catherine Webb





REPORT FROM THE NEW REVENUE STUDY COMMITTEE  
MAY 27, 1986

I. MISSION AND METHOD

A. Mission - Faced with a budget deficit that required layoffs and program cutbacks for the 1986-87 school year, the Albany Board of Education moved in early March 1986 to create a "New Revenue Study Committee." The Committee chair, Jim Quay, was appointed on March 11 and the Committee charged with "providing information and recommendations...regarding new revenue sources" to the office of the Albany Superintendent of Schools. Selection of the 11-person Committee was completed within a week and included Karen Allen, Robert Harkness, Ellen Hershey, Lee Keck, Stuart Lichter, Alan Riffer, Dan Saulsbury, Joan Sextro, Mary Wallmann, and Catherine Webb. Robert Outis replaced Karen Allen in early April when Ms. Allen asked to be excused.

From its inception, the purpose of the New Revenue Study Committee purpose was to gather information, not to initiate action. Consequently, the Committee was constituted to reflect expertise in areas the Committee was to study, rather than to represent the spectrum of Albany citizens. The Committee conducted its study in the belief that an elective body, specifically the Board of Education, will ultimately decide how to act on the recommendations found in section III of this report, but it also assumes that both the recommendations and the reports may be of interest to all Albany citizens.


B. Method - An organizational meeting was held at the District Administration Office on the evening of March 24 and the Committee divided into five subcommittees, each investigating a different potential source of revenue:

1. Tax Levies - (Robert Harkness and Lee Keck)
2. Community Education Foundations (Stuart Lichter and Robert Outis)
3. Community Fund Raising (Joan Sextro and Mary Wallmann)
4. Federal, State, and Local Sources (Alan Riffer and Catherine Webb)
5. Corporate and Foundation Grants (Ellen Hershey and Dan Saulsbury)

The Committee decided to hold a public meeting in the Council chamber of Albany City Hall to solicit community suggestions before beginning their research. The public meeting was held the evening of Wednesday, April 2, 1986 and each of the subcommittees presented their area and heard comments and suggestions from about two dozen Albany citizens.

Each subcommittee then pursued its research separately until Monday, April 14, when a series of weekly Committee meetings began. At the first meeting, Albany Superintendent of Schools Dale Hudson, Assistant Superintendent Dick Rosenquist, and Director of Business Services Janice Smith briefed the entire Committee on current sources of revenue available to the District. Beginning with the second meeting on April 21, the Committee teams presented their findings to the committee members, who then responded to the reports and gave suggestions for further research.

NOTE: Only the findings and recommendations found in Sections II and III below are endorsed by the full Committee. All recommendations or suggestions found in the five subcommittee reports in section IV are those of the respective subcommittee members only.



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## II. COMMITTEE FINDINGS

The Committee found that two areas researched were not realistic sources of significant new revenue for AUSD: (1) federal, state, and local sources; (2) foundation and corporation grants. Consequently, the Committee essentially endorses current District practice in these areas and does not suggest any new initiatives.

1. The Committee suggests that the AUSD continue to monitor possible governmental sources of revenue through the School Services of California, retained by the County Office of Education and to support lobbying efforts to improve State support to the District.

[See FEDERAL, STATE, AND LOCAL SOURCES subcommittee report]

2. The Committee suggests that the AUSD continue to seek grants for specific programs as needed and appropriate, while remaining cognizant that substantial, long-term financial relief cannot be obtained through such grants.

[See CORPORATE AND FOUNDATION GRANTS subcommittee report]

By the time of the Committee's third meeting on April 30, it was already clear that a tax levy was the only effective means available to the community to raise the amount of revenue needed to maintain quality educational program in Albany's schools and to provide longterm financial relief in the absence of increased funding from the state. Annual fund raising, whether by an informal organization like CARE ("Citizens of Albany to Rescue Education") or a more formal community education foundation, eventually exhaust the energy of those who ask and the patience of those who are asked. Any recommended source of new revenue must be as reliable to permit sound educational planning.

The Committee found that the only viable source of new revenue for AUSD is a special tax measure which would require approval by two-thirds of Albany voters. The Committee's formal recommendations, therefore, are all in aid of such a tax measure. A two-thirds approval by Albany voters will require extensive community discussion and energy. The Committee urges that over the next year a campaign to pass this tax measure should be viewed as THE fund raising priority for those seeking to help the AUSD.





### III. COMMITTEE RECOMMENDATIONS

1. The Committee recommends that the AUSD place a special tax measure before the voters of Albany in spring 1987 and that the measure include a provision raising the District's appropriations limit. A legal requirement of such a measure is a list of specific purposes to be funded by the special tax.

In our view, the passage of a special tax is the only viable method in local control for raising sufficient funds to assure quality education in Albany. We believe it should receive the highest priority. The special tax should be a non-ad valorem parcel tax on real property within the school district. We recommend that a special tax election occur no sooner than April 1987, when a measure could be placed on the ballot of the Peralta Community College District election to keep costs down. Revenue from an earlier election could not reach the District any sooner than revenue from an April 1987 election and the Committee feels that considerable community discussion must take place if such a measure is to achieve the two-thirds approval necessary. The provision raising the District's appropriations limit must have a life of four years; it is needed because AUSD is already near its limit and any substantial revenue from a special tax would exceed the revenue limit set by Proposition 4.

[Please consult the TAX LEVY subcommittee report for background information and further suggestions regarding this recommendation.]

2. The Committee recommends that during the summer of 1986 the AUSD Board of Education create a five-year plan of program priorities, so that the District's revenue needs can be accurately estimated.

Without an accurate determination of the District's long-term program needs, it will be impossible to determine the District's revenue needs, and hence the rate or kind of tax to be requested of voters. In addition, without a five-year plan for Albany education, it will be difficult to persuade Albany voters of the need for such a tax. [See TAX LEVY subcommittee report]

3. The Committee recommends that the Board immediately endorse the establishment of an independent community education foundation to support public education in Albany by (a) conducting outreach on public education issues; (b) serving as a conduit for gifts and bequests for specific educational purposes; and (c) pursuing grants for specific programs.

The CARE campaign (due to end June 30) was intended to address deficits in the immediate 1986-87 school year. The Committee feels the community education foundation should be capable of sustained community fund raising, but our research indicates that fund raising in Albany cannot raise the substantial revenue needed by the District over the long term. Consequently, it is imperative that the foundation's efforts not conflict with the effort to pass the tax measure recommended above.

[See COMMUNITY FUND RAISING and COMMUNITY EDUCATION FOUNDATION subcommittee reports]







TIMELINE IMPLIED BY RECOMMENDATIONS

Immediately - Board endorses establishment of an independent community education foundation.

June 30, 1986 - End of CARE campaign.

Summer 1986 - District formulates 5-year plan for Albany Education

December 1986 - Based on survey results, AUSD Board of Education should  
file to place special tax levy on April ballot  
[Deadline is approximately January 9, 1987]

April 1987 - Special Initiative before Voters

IV. SUBCOMMITTEE REPORTS

(See attached)







## NEW REVENUE STUDY COMMITTEE

### TAX LEVY SUBCOMMITTEE

LEE KECK

ROBERT HARKNESS

Report: 5-20-86

#### 1. MISSION

This subcommittee was charged with exploring, within stringent time limits, the possibilities for raising additional income for the school district through a new tax levy. The subcommittee was charged with both reviewing the alternatives and, where possible, evaluating their respective feasibilities.

#### 2. LIMITATIONS ON TAX LEVIES

The ability of a school district to impose taxes for revenue has always been and, now is, strictly limited.

##### [a] Historical Perspective

Before 1976, the method by which school districts raised revenue was relatively simple and straightforward. Section 21 of Article 13 of the California Constitution required the Legislature to provide for an annual levy by the county board of supervisors for taxes sufficient to produce annual revenues for each school district in the county. Under the mechanism set up by the Legislature, the local school board would develop its budget and certify to the board of supervisors the amount of revenue necessary to fund that budget. The board of supervisors





would adjust the county ad valorem property tax<sup>1</sup> rate so that sufficient revenues were generated to fund the local school district's budget. This system of school financing was governed by the Education Code<sup>2</sup>.

### **[b] Present Limitations**

This system was overthrown by two developments. First, in 1976, the California Supreme Court decided the case of Serrano v. Priest<sup>3</sup>. Second, in 1978, the people of California approved Proposition 13.

### **[1] Serrano v. Priest**

In the Serrano case, the Supreme Court ruled that the system of school financing developed by the Legislature under Article 13 of the Constitution was unconstitutional. The Court reasoned that the system violated the equal protection guarantees of the Constitution by conditioning the availability of school revenues upon district wealth, with resultant disparities in school

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1. Taxes may be classified as either "specific" or "ad valorem". A "specific tax" is one which imposes a specific sum by the head or number, or by some standard of weight or measurement, and which requires no assessment beyond a listing and classification of the subjects to be taxed. An "ad valorem" tax is a tax or duty on the value of the article or thing subject to taxation. See 84 C.J.S., Taxation, §3.
  2. See former Education Code §§42230 et seq.
  3. (1976) 18 C3d 728, suppl. 20 C3d 25, cert. den. 432 US 907.





revenue, and by making the quality of education dependent upon the level of district expenditure. This decision required the Legislature to drastically restructure the system of school financing.

[2] Proposition 13

Proposition 13 added Article XIII A to the California Constitution, which severely limited the amount of revenue which could be raised through the imposition of ad valorem real property taxes. It prohibited the imposition of additional ad valorem real property taxes and changed the ad valorem real property taxation system to an acquisition value real property taxation system. In addition, it placed strict limits upon increasing the assessed valuation of real property. For school districts, this meant that ad valorem real property taxes could no longer be counted on to furnish adequate revenues. Article XIII A did provide that the people of a district could impose "special taxes" by a two-thirds vote, so long as such taxes were not ad valorem real property taxes. The Supreme Court has defined a "special tax" as a tax levied for a specific purpose rather than a levy placed in the general fund to be used for general governmental purposes<sup>4</sup>. Under Article XIII A, a "general" tax need not be approved by two-thirds of the voters<sup>5</sup>.

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4. See City and County of San Francisco v. Farrell (1982) 32 C3d 47.

5. See Farrell, supra, and Fenton v. City of Delano (1984) 162 CA3d 400.





### [3] Proposition 4

In 1979 further limitations upon the ability to raise revenues by taxation were imposed when the people adopted Proposition 4. This initiative measure added Article XIIB to the Constitution, which imposed an "appropriations limit" for the state as a whole and for each local agency, including school districts. The appropriations limit places, in effect, a ceiling upon the amount of tax money a school district can spend and requires the district to refund any tax money collected in excess of the ceiling. The ceiling can be raised if the cost of living in the state or the population in the district increases. A district's appropriations limit can be raised for a four-year period by a simple majority of the voters in a district.

In response to Proposition 13 and the Serrano decision, the Legislature developed a new system of school financing designed to meet the objections of the Supreme Court and work within the limitations of Proposition 13. This system is now reflected in various Educational Code provisions which set forth various formulae for calculating a district's "revenue limit"<sup>6</sup>. Each year a district's revenue limit is calculated by the county superintendent of schools. In essence, this system is designed to roughly equalize the per capita expenditure in each school district based upon that district's average daily attendance. The state "subvents" to each school district the difference between the amount raised for the district by ad valorem real property taxes and the revenue limit. Thus, if a school district

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6. See Education Code §§42238 et seq.





raises more money through ad valorem property taxes, its state subvention will be decreased until the revenue limit is reached. Thus, in effect, a district is penalized for zealously raising funds through the ad valorem real property tax.

### 3. ALTERNATIVES

#### [a] Special Tax

The most well-charted method for raising district revenues is the imposition of a special tax. It is specifically authorized by Article XIII A of the Constitution and a statutory procedure is set forth in the Government Code<sup>7</sup>. To be valid under Article XIII A, however, a special tax must be approved by two-thirds of the voters in the district and the revenue generated by the special tax must be devoted to specific purposes which have been set forth in the enabling legislation.

#### [b] Community Facilities District

Under the Mello-Roos Community Facilities Act of 1982<sup>8</sup>, local agencies, including school districts, were empowered to create community facilities districts to raise revenue for certain specified purposes by levying special taxes.

Special taxes could be imposed to support additional police, fire protection, or park and parkways services. In addition, special taxes could be imposed to raise revenue for the purchase,

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7. See Government Code §§50075 et seq.

8. See Government Code §§53311 et seq.





construction, expansion, or rehabilitation of real or personal property in the district, including elementary and secondary school sites and structures [so long as such facilities met the area and cost standards established by the State Allocation Board<sup>9</sup>].

However, there are strict limitations on the use of such districts. First, such a district's tax levies can only be used to support "additional" services, that is services to the extent that they are in addition to those provided in the territory of the district before the district was created. Such services may not supplant those already available within the district's territory<sup>10</sup>. Second, and perhaps more important, two-thirds of the voters of a district must approve the levy of any special tax<sup>11</sup>. With a two-thirds vote, the district could levy special taxes under Article XIII A without the limitations of the Act.

#### [c] General Tax

Under Article XIII of the California Constitution, the Legislature has the power to authorize a school district to impose any tax, either general or special. To date, the Legislature has not exercised that power and is unlikely to do so.

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9. Government Code §53313.5.

10. Government Code §53313.

11. Government Code §§53328 & 53329.





Following the voters' approval of Proposition 13, the California School Boards Association began sponsoring bills in the Legislature which would have authorized school districts to levy general taxes in an amount not to exceed 10% of the district's revenue limit. This limit was added out of fears that an unlimited power to impose taxes would contravene the Supreme Court's ruling in Serrano v. Priest. Each year these bills were defeated in committee. The California Manufacturers Association, the California Farm Bureau, the California Chamber of Commerce, and the California Tax Payers Association lobbied strongly against the bills. No such bill has been submitted this year.

At this time, therefore, there is no constitutional or statutory authority for the imposition of a general tax by a school district or its voters without prior authorization by the Legislature.

#### [d] Initiative or Referendum

Notwithstanding the vesting of the legislative power in the Legislature, the people of California have reserved to themselves the powers of initiative and referendum<sup>12</sup>. However, these powers will not apply to enact taxes for school districts for three

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12. California Constitution, Art. IV, §1.





reasons: (1) these powers are legislative powers and school districts are administrative agencies of the state<sup>13</sup>, (2) the Constitution and court decisions prohibit the use of initiative or referendum to affect tax levies<sup>14</sup>, and (3) an initiative cannot exceed the powers delegated to a local government or agency<sup>15</sup>. Since the school board does not have the power to levy taxes, the people of the school district cannot levy taxes by initiative.

#### 4. RECOMMENDATIONS

[a] We recommend that the District seriously consider appealing to the voters of Albany for the imposition of a special tax.

In our view, the imposition of a special tax is the only viable method of raising sufficient funds to assure quality education in Albany.

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13. Board of Education v. Superior Court (1979) 93 CA3d 578, 582.

14. California Constitution, Art. II, §9; Geiger v. Board of Supervisors (1957) 48 C2d 832, 836; Dare v. Lakeport City Council (1970) 12 CA3d 864, 867; Myers v. City Council of Pismo Beach (1966) 241 CA2d 237.

15. See cases collected in 38 Cal.Jur.3d, Initiative and Referendum, §43.





The special tax should be a non-ad valorem parcel tax on real property within the school district. Since the tax may not be based on the value of the property, there are three suitable methods for imposing a tax:

[1] Lot Tax: this tax may be based on either the frontage of the lot or upon the area of the lot, expressed in square feet.

[2] Unit Tax: this tax would be a fixed charge for each residential unit and each commercial, non-residential unit. The owner of an apartment building would be charged for each residential unit in the building.

[3] Improvements Tax: this tax would be based upon the square footage of improvements on each lot.

[b] We recommend that the district prepare and publicize a five-year plan for Albany education so that the district's revenue needs can be accurately estimated and made known to the community.

The district should also compile the necessary demographic data so that the most appropriate kind of tax may be determined. In the absence of an accurate determination of the district's revenue needs<sup>16</sup> and demographic information regarding the number and size of lots and improvements in Albany, it is not possible to recommend a specific kind or rate of tax.

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16. In view of the considerable effort entailed in preparing the necessary five-year plan [current year + 4 years of the increased appropriations limit under Proposition 4], it might be useful to employ a consultant to assist in budget analysis



It is fundamental that if the voters do not perceive that the proposed tax is both fair and necessary, they will not elect to tax themselves.

[c] We recommend that the special tax election be consolidated with the Peralta Community College District election in April of 1987.

The subcommittee feels that this election will present the voters with local issues only, that energy and resources can be concentrated on turning out the "pro" vote, and that the community's attention can be focused on a single issue. In addition, an April election will provide sufficient time to educate Albany voters about the district's finances, do the necessary planning for the campaign, and mobilize the community for the election. The subcommittee feels that Albany residents are very fiscally conservative and would be angered by the extra expense of a special election. Further, an election in April of 1987 will allow the voters to fully appreciate the drastic effects of the further cutbacks in staff and program which the Board of Education will be making in March of 1987 as a part of its regular fiscal planning. There is no general election scheduled for June of 1987 and an election in November of 1988 will not be in time to generate revenue for the 1987-1988 school year. These factors outweigh any possible negative effects which may arise from association in the election with the Peralta Community College District.

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and projections and in the development and implementation of campaign strategies. A well-qualified consultant could save enormous amounts of time and resources in developing the plan and could help avoid the many pitfalls already experienced by other districts.





[d] We recommend that a dual rate structure be employed for the special tax.

Whichever taxing method is adopted, there should be one rate for residential property and another, higher, rate for commercial property. The tax rate for residential property should be based on a sliding scale, so that larger properties pay more tax [whether measured by frontage or square footage of lot or improvements]. If voters perceive the tax as unfair, they will not vote for it.

[e] We recommend that senior citizens not be exempted from the special tax.

Such an exemption will complicate the calculation of the rates, will produce inequities among voters otherwise equally situated, will reduce Albany's already small tax base, and may substantially shift the tax burden to young families. Furthermore, such an exemption may alienate voters by the appearance of blatant vote buying. These problems are not outweighed by any possible amelioration of potential opposition to the tax measure.

[f] We recommend that the special tax measure include a provision raising the district's appropriations limit.

Our district is already near its appropriations limit and any substantial revenue from a special tax would exceed the revenue limit in violation of Article XIIIB. Unlike the special tax, the raise in the appropriations limit must be renewed every four years.





## 5. DEADLINES

### [a] Filing

The deadline for the school board to file for an election to impose a special tax is 88 days before the next scheduled election.

### [b] Tax Collection

The Alameda County Tax Collector sends out tax bills once each year. The tax bills are printed in September and mailed in October. The first due date after mailing is November 1. A bill is delinquent if not paid by December 10. The Alameda County Auditor-Controller's Office prepares the tax bills and must receive the necessary tax collection data by August 15th in order to prepare the bill for printing in September. The data must be supplied to the Auditor-Controller's Office on a computer tape compatible with Alameda County's computer. Preparation of such a tape will take some lead time, but should be possible following either a November or an April election. It is not too soon to begin gathering data regarding the tax base upon which a special tax would be imposed. Most of this information should be readily available from the Alameda County Assessor's Office.

Thus, a successful tax election in either November of 1986 or April of 1987 would give the Tax Collector sufficient time to include any special tax in the October 1987 mailing for the 1987-88 tax year. However, data gathering to determine the type and rate of tax should begun immediately.

It should be noted that, under Government Code §50077, Alameda County will charge the school district a collection fee of 1.7% of all tax monies collected as a result of the imposition of a special tax. This charge will have to be taken into



consideration in setting the tax rate.

## 6. RESOURCES

- [a] James Guthrie, Ph.D.  
Department of Education  
University of California  
[415] 642-7223
- [b] Rebecca Bauman  
California School Boards Association  
[916] 443-4691
- [c] Alameda County Tax Collector's Office  
[415] 874-6766
- [d] Robert Rundstrum, Attorney  
Cronick, Moskovitz et al.  
[attorneys for Davis Unified School District]  
[916] 444-8920
- [e] Hiro Fujimoto, Chief Deputy  
Alameda County Auditor-Controller's Office  
[415] 874-6446

LEE KECK

ROBERT HARKNESS





PIEDMONT SCHOOL TAX ELECTION PACKET

The attached School Tax Election Materials (May 1985) from the Piedmont Unified School District provide useful information applicable to any similar campaign that may be attempted in Albany.

Observations on some elements of the Piedmont campaign:

- 1) A positive community perception of school excellence provided the necessary climate for a successful campaign. Albany schools, with the possible exception of the high school, enjoy a similar reputation. A deliberate public relations campaign begun now on behalf of the schools may offset the negative publicity generated by the current crisis and ensure a supportive community climate. Perhaps particular attention should be paid to promoting a more positive image of Albany High School.
- 2) School quality and property values were closely linked and emphasized in all communications to the public regarding the special school tax. The Albany Board of Education has recently heard testimony from many new residents citing the schools as the main reason for purchase of Albany homes. Area realtors regularly distribute information to prospective buyers calling particular attention to the quality of Albany schools, K-8.
- 3) The Piedmont Board of Education enumerated specific services and programs to be provided by the tax monies. New services and programs were not part of the list - only existing programs in danger or recently cut were addressed. Albany's list could be very similar to Piedmont's which included a districtwide instrumental and vocal music program, elementary PE, full library service at all levels, and high school athletic team coaches. Teacher's salaries are not supported by the Piedmont special tax. Perhaps one reason for this decision was to prevent the special tax being





embroiled in the collective bargaining process each year.

- 4) The Piedmont special tax is based on an established maximum rate per parcel of property each year for a period of four years.

As part of the annual budget adoption process, the Piedmont Board of Education determines the total amount of expenditures necessary to provide the enumerated services and programs covered by the special tax and deducts the projected revenue from all other sources. The difference is the maximum amount of funds to be gathered that year from the special tax. If the maximum tax rate is not needed, the rates are reduced proportionately, so that only the necessary funds are raised. Expert advice is now needed to determine the reasonably tax levy in Albany. Piedmont's assessment formula would be of limited use in determining appropriate rates for Albany.

- 5) Piedmont Citizens for School Tax conducted a 6-month campaign to gain support for the tax. The campaign was not begun until after an almost equal amount of time had been spent on fact-finding and decision-making to determine the content of the Board resolution calling for the tax.

- 6) The explanatory brochure mailed to Piedmont citizen during the campaign provides an excellent format for Albany. The information in the brochure included an explanation of the inadequacy of state funding including lottery funds.



## COMMUNITY EDUCATION FOUNDATIONS

### I. Introduction.

The subcommittee considered the feasibility and desirability of establishing a tax-exempt organization, commonly called a community education or public school fund or foundation (PSF), to supplement and enhance District funds and programs. There are a number of ways in which a PSF could be organized and operated, but the critical and common features of any PSF are that it is generally exempt from state and federal taxes and that contributions to it are tax deductible to donors. The presence of these characteristics is, however, not in itself sufficient to warrant the cost and other burdens of maintaining a PSF for the simple reason that the District is itself tax-exempt and donations made to it are, under normal circumstances, tax deductible. The subcommittee believes there are a number of other considerations which make these burdens worth bearing. At the same time, it cautions that a PSF does not present a realistic solution to long-term general revenue shortages.

### II. History and Development.

PSF's are privately operated, non-profit organizations established for the specific purpose of raising money for use by individual public school districts. While PSF's have been in existence, at least since the 1960's (Laguna Beach, California's Education Foundation was originally formed in 1969), the vast majority of PSF's were formed in the 1980's.

A monograph published by the National Association of Secondary School Principals suggests that the factors that influenced PSF's included: property tax reductions (e.g., Prop. 13), declining enrollment, high inflation in the late 1970's to 1981, reduction in federal aid, community unhappiness with declining student achievement and the economic recession of 1981-83.

A Survey of California School Districts in 1982 by the firm of Peat, Marwick & Mitchell & Co. revealed that 61% of the districts responding either had a foundation underway or were planning to initiate one. The so-called School Foundation Movement was given a major boost by the Ford Foundation's establishment in 1983 of the Public Education Fund (PEF). The purpose of PEF was to distribute matching grants (initially approximately \$9 million was available) to assist in the development of community-based education funds. PEF was not only interested in increasing the number of PSF's but also in promoting a particular model or approach. This model would cooperate with, but act to a large degree independently of, local school boards. It was the goal of PEF "to improve the quality of

Stuart Lichter

Robert Outis





education and increase the confidence of the community in public schools."

The apparent success of the Ford Foundation and PEF's efforts was suggested by research findings released at the April, 1986 meeting of the California Consortium of Education Foundations. In the keynote address to that meeting, an educational foundation consultant estimated that there are now about 300 education foundations nationally, 130-140 of which are in California. Thus, California now contains well over 40% of all PSF's.

### III. Purposes.

In general terms, the purpose of a PSF would be to obtain additional money for District programs. The specific sources and means of raising funds and the manner in which those funds are utilized could vary greatly. The general consensus of representatives of other PSF's with whom members of the subcommittee have spoken is that PSFs are not effective vehicles, at least in the long term, for substantially enhancing general revenues of a school district. (For a possible exception to this rule, see the discussion below of the New Haven PSF.) Rather, the consensus of these persons is that PSF's are most effective if they devote their resources to specific programs and projects which enhance the educational process. There are a number of reasons given by persons holding this view. They include:

1. Private donors often expect assurances that their contributions will be used to support particular programs or projects in which they are interested. Businesses may, for example, be interested in vocational or business-oriented programs.
2. Some potential donors are unwilling to give at all if their donations are used simply to fund shortfalls resulting from inadequate governmental support of public institutions. This is particularly true of well-endowed private foundations which, as a general rule, will not make contributions for this purpose.
3. Some potential donors have little faith in the ability of public officials to use funds wisely. Thus, they view general fund-raising efforts as a device to support perceived inefficiencies of public institutions.
4. Specific program and project funding, on the other hand, is regarded by some as a means of stimulating community and private sector support which would not otherwise exist while at the same time encouraging and rewarding creativity and productivity at the classroom level.



#### IV. Organizational, Structural and Administrative Considerations.

In order to qualify for tax-exempt status, the PSF need not be organized as a corporation, but the corporate form holds advantages over unincorporated associations, trusts and other possible organizational structures. Thus, the subcommittee recommends its use. To be tax-exempt, the PSF must be non-profit. The organization of a non-profit corporation is relatively easy and can be accomplished quickly. Filing for tax-exempt status with the Internal Revenue Service is somewhat more complicated and the IRS review and approval process may take several months although a shorter period is possible if the filing is done properly. Volunteer legal assistance is available within the community for purposes of accomplishing these organizational tasks.

A non-profit corporation may be of the membership or non-membership variety. A non-membership organization seems more suited to a situation in which the corporation has a small and fixed group of controlling persons or entities, such as a charitable arm of a hospital or university. The PSF could be organized in this manner as an adjunct of the District, but the subcommittee feels this would be unwise. Rather, the use of the membership format is preferred by the subcommittee because it should encourage a broader base of community support and involvement and because membership fees and service requirements can themselves serve as useful devices for raising funds and assuring the availability of "volunteer" assistance.

There may be different classes of memberships and the rights and obligations of the classes may vary. Significantly, each class could be given the power to elect a specified number of directors, thereby assuring broad-based representation on the governing body of the PSF. The subcommittee believes that consideration should be given to creating different membership classes for this and other reasons. Presumably, the largest group of members would consist of individuals from the community. Perhaps that group should control a majority of the board seats. At the same time, there should be different classes of memberships for various educational, business, service and community organizations and groups which would in turn have the right to designate certain board members. An inexhaustive list of such group or institutional memberships might include the PTA or Site Council from each school, District faculty and staff, local businesses and business associations and service organizations.

The requirements of membership may also vary. A fee may be charged, but need not be and a service requirement in lieu of or in addition to a membership fee is also permissible. Service requirements in lieu of membership fees have worked with some success in other PSFs and is recommended by the subcommittee.





As with a corporation organized for profit, the affairs of a non-profit corporation are managed by its board of directors. That body would in the case of the PSF be responsible for establishing policies and making decisions respecting sources and uses of funds. Ideally, the board would be representative of the community as a whole and the classification of members suggested above is designed to facilitate this result. Alternatively, or perhaps in addition thereto, the PSF's bylaws could provide for ex-officio representation from the District and from other groups and institutions whose involvement might be deemed important.

While organizational and structural problems appear manageable, the administrative chores involved in operating a successful PSF are more problematic. Many PSF's contacted by members of the subcommittee had at least one paid staff person (not always full-time) and the unanimous view of these PSFs (as voiced by these staff persons) was that some paid staff assistance is essential. The subcommittee does not concede this to be the case in Albany, but it is obviously a serious concern. Similarly, the expense of equipping and maintaining an office is not insubstantial, particularly in view of the limited revenue potential of an Albany PSF. Thus, while the subcommittee believes that the PSF should not be controlled by the District, some administrative support from the District may be desirable. Presumably, the PSF should reimburse the District for the costs incurred in providing any such support.

#### V. A Comment on Terminology and Tax Considerations.

The preceding discussion uses the term "foundation" because this is a commonly used label, but the more technically correct term from the standpoint of the Internal Revenue Code is that of a "501(c)(3)" organization, i.e., an organization exempt from tax by reason of Section 501(c)(3) of the Internal Revenue Code. Classification as a "private foundation" under the Code is in fact quite undesirable because of the extensive reporting requirements and exposure to stiff penalty taxes that apply to such organizations. A 501(c)(3) organization will be treated as a private foundation if it fails to satisfy specified criteria designed to establish the public, rather than private, character of the organization. The criteria most likely to be determinative in the case of a PSF are financial tests relating to sources of funds. While these criteria are too complicated to warrant explanation here, an Albany PSF should be able to satisfy them.

Finally, even though a 501(c)(3) organization will presumably escape classification as a private foundation, it is nevertheless subject to tax on its "unrelated business income", as defined in the Internal Revenue Code. While the applicability of this tax must be determined under the facts and circumstances of each case, the PSF should be able, with careful planning and monitoring of its activities, to avoid this pitfall as well.



## VI. PSF Allocation Models.

There are three basic models for deciding how to spend funds received by PSF:

1. Unrestricted grants to the general fund of a school district with appropriation decisions made by the Board of Education;
2. Restricted grants made specifically for particular programs or projects with funding decisions made solely by the board of directors of the PSF; and
3. The development of joint funding priorities with input from the district's Board of Education and the Board of the PSF.

To the extent that the school administration is represented on the Board of the PSF, there is necessarily an institutionalized mechanism for the joint development of priorities. The procedure used in Piedmont presents an interesting approach to the joint development of priorities while maintaining the autonomy of the PSF. Specifically, it is the practice in Piedmont for grant requests to filter up through the district administration. Priorities are then established by the Board of Education which submits funding requests to the PSF.

Procedures for distributing funds and accounting therefor may be handled directly between the PSF and the grant recipient (usually a teacher or particular school) or distributions and accountings may be made through the district administration. The latter process has apparently not worked well in large urban districts because of delays and other administrative problems that have developed, but such a system might well be workable and even advantageous in a smaller district like Albany.

## VII. Achievements and Experiences of Other PSF's.

Members of the subcommittee contacted representatives of several PSFs operating in other California communities. Without exception these persons were cooperative and anxious to provide information that might be useful to persons organizing a PSF in Albany.

According to an Educational Foundation Consultant, the average PSF raises \$60,000 annually. However, this figure appears to be skewed by the successes of some well-to-do districts, since the median annual income of PSF's is about \$40,000. Fund-raising achievements by some local school districts are as follows:

1. Orinda Unified - raised approximately \$142,500 in 1985-1986. Average gift was \$187.00. However, \$55,000 was raised from major donors contributing at least \$500 each.





2. New Haven Unified School District - Has a weekly bingo game which has earned more than \$180,000 over the last two fiscal years.

3. Alameda - raised \$50,000 in the 1984-85 fiscal year. Has 50% time staff.

4. San Rafael - raised \$130,000 over three years (includes \$45,000 in foundation grants that are specific to Marin County). Raised about \$45,000 from community sources in 1984-85. Has half-time staff director of Foundation.

5. Menlo-Atherton Foundation - Raised \$90,000 in fiscal year 1985-86.

6. Berkeley Foundation - Raised about \$20,000 total for first two years.

With the exception of the New Haven PSF, these PSFs are all independent of their district administrations although some administration or board of education representation on the board of directors of the PSF usually exists. Again, but for the New Haven situation, each emphasized the importance of supporting worthy, special projects at the classroom level. Customarily this support is in the form of small grants, but sometimes it results from linking nonmonetary community resources with school programs (speaker programs, etc.). The New Haven PSF was unique among those contacted in that it exists primarily if not exclusively for the purpose of providing additional general revenues. A majority of its directors are appointed by the local school superintendent and its staff director is an assistant superintendent. It should be noted that Albany already has a fairly successful bingo operation under the aegis of the Albany Athletic Boosters.

#### VIII. General Advantages and Disadvantages of Establishing a PSF.

##### Advantages.

-- Possible funding source to supplement District funds from sources otherwise not likely to give to schools. Peat, Marwick Study of 1982 showed that California Districts with PSF's raised ten times as much private money as those without PSF's.

-- Creative outlet for parent energies and resources.

-- Quick response - foundation can respond quickly to emergent needs without the impediment caused by administrative procedures, public input, etc.

-- Positive reinforcement of creative efforts by teachers (mini-grants to teachers).



-- Increased credibility, particularly when board of directors includes institutional representatives who are private donors.

-- Political independence - not bound by State laws and guidelines.

#### Disadvantages

-- Possible conflict between policies/priorities of School Board and Foundation Board.

-- Opportunity Cost - may draw community energy away from potentially more effective community financing options (i.e., tax initiative).

-- May cause conflict with existing fundraising effort (band/sports boosters).

-- Foundation appears to run out of steam after three or four years due to volunteer burn-out; even with paid staff.

#### IX. Conclusions and Suggestions.

It is the subcommittee's view that a PSF can play a useful role in supporting specific program goals of the AUD. However, because of the predominant need to galvanize the community behind a special tax measure, it is suggested that a PEF, if and when initiated, should play a low-key role until a tax measure is decided upon.

The specific roles and responsibilities envisaged for the PSF's initial year might include:

1. Raising funds through private grants to support a tax measure campaign.\* Specific grants should be sought from the Public Education Foundation\*\*, other local foundations and service organizations.

2. Educating the community about the School District's financial problems and about appropriate methods of ameliorating these problems.

3. Receiving and disseminating any general community donations that might be given to assist the District.

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\*There is not unanimity of view at the subcommittee or committee level as to whether and how a local PSF should involve itself in a tax measure campaign.

\*\*Based on committee discussion with this organization, it appears that Albany could be considered for a small Technical Assistance Grant.





In the subcommittee's view, the appropriate long-term role for a PSF in Albany is that of funding particular projects or program enhancements that reward creativity and productivity at the classroom level. If the local tax effort is successful, the PSF may continue at a lower activity level, and with a more narrow focus. However, if the local tax effort is unsuccessful, the continued existence of the PSF as a vehicle for supplementing general revenues could of course be reevaluated at that time. Finally, the subcommittee suggests that the following important factors be considered prior to implementing a PSF:

1. Need for independence

Most knowledgeable individuals in the field suggest that the foundation's "independence" is of critical importance. It is the experience of the writers that nearly all of the local PSF's operate independently of the School District.

2. Need to avoid unrealistic expectations

Peat, Marwick's 1982 Study showed that fewer than one out of three districts with foundations reported netting over \$20,000\* to supplement budget that ranged into the millions of dollars.

3. Need to recruit appropriate community leaders to serve on Foundation Board

Many of the school foundation officials contacted by the writers emphasized the critical importance of identifying and involving volunteers who are influential in the community and those who have established credibility with more affluent segments of the community.

4. Need for the foundation and School Board to work harmoniously

An independent, but supportive approach appears to be best.

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\*A more recent survey showed that the median income of private foundations is about \$40,000.



# CONTACTS/RESOURCES

<u>District</u>	<u>Name of Representative</u>	<u>Telephone</u>
San Francisco	Glady Thatcher	415-621-4878
East Valley Unified (East of San Jose)	Sherry Sager	408-274-4366
New Haven (Union City)	Randy Panitz	415-471-1100
Fresno	Sandy Martin	209-441-6866
San Rafael	Shirley Mclung Foundation Director	415-457-7733
Alameda	Jackie Slabaugh Executive Director Education Foundation	415-552-2207
Berkeley	Mary Friedman Berkeley Education Foundation	415-848-0449
Berkeley	Bob Carabuj Berkeley Education Foundation	415-528-9335
Oakland	Ada Cole Marcus Foster Education Institute	415-835-0391
California Consortium of Education Foundations	Anna Torrance	415-556-4570
U.C. Berkeley School of Education	Prof. James Guthrie	415-642-7223
California School Boards Research Association	Don Fox	415-443-4691





## COMMUNITY FUND RAISING

### RECOMMENDATIONS

The Community Fund Raising Subcommittee recommends:

1. Formation of an educational foundation.
2. Major community fund raising not occur during a tax levy campaign.
3. Further major fund raising efforts be postponed until all groups that raise funds for the school district confer about the feasibility of coordinating their efforts.
4. Criteria for fund raising events should be established to include: income potential, time and effort needed and publicity value.

### The Nature of the Community

Before any attempts can be made to set up a formal fund raising organization in Albany, the subcommittee feels that the nature of the community must be examined carefully. Albany is composed of many diverse groups. Furthermore, it has a tradition of doing things for itself and may be wary of outside help.

### Community Fund Appeals

The establishment of a community fund raising organization should be considered a short term solution with perhaps a two-three year duration. A time frame should be set up with ample planning time before any appeals are made.

Three examples follow which describe successful community fund raising activities:

1. CARE (Citizens of Albany to Rescue Education).
  - a. Background/Strategy. Faced with a financial crisis in the AUSD and desiring to preserve the high quality of their children's education, a group of 30 people met and organized CARE. This group decided to undertake a direct appeal for funds for the school district and targeted three different groups for different types of campaigns.
    - (1) Parent Community. As people directly affected by these cuts, parents were targeted for the first phase of the campaign. They received a letter detailing the problems and were asked to give \$200 per child as well as donate time and expertise. While this group is often least able to give time and money, it was felt that as parents of school age children, they were most motivated to give. This letter was mailed first class



to each home. Seventy-five percent of the homes received a follow-up phone call. Detailed documentation of this process is available on request.

(2) General Population. Less directly affected by cuts, but nevertheless touched, are residents without children in the schools. A flyer was distributed to each household with a follow-up door-to-door solicitation. A poster campaign preceded this effort by one week.

(3) Business Community. This campaign is being formulated at time of writing. Subsequent documentation will be available after June 30, 1986.

b. Internal Organization. CARE is an ad hoc group with informal status. A steering committee was formed in March 1986 (7-9 members) which met weekly. The campaign utilized talents of over 100 individuals. The steering committee acted as a committee of the whole for several reasons:

(1) New ground was broken daily. Strong control needed to be maintained on each new effort to avoid confusion, overlay and omission.

(2) The small group size allowed roles within it to be flexible as strengths and weaknesses of personnel were discovered. Internal hierarchy was kept to a minimum.

(3) Volunteer schedules precluded constant involvement over a long period of time. Members could substitute for one another easily since they were involved in all facets of the campaign from the ground level upward.

(4) People varied in their ability to produce. There were a few cases where volunteers were unable to carry out what they had theoretically thought possible. The small group monitored progress or lack of it easily and made appropriate course corrections.

Minutes were taken at each meeting. An archive was kept of all materials pertaining to the campaign. All decisions were made by consensus. Progress reports, strategy and implementation were the major topics of meetings. Some members had specific areas of responsibility. Some members floated and helped out on an issue-by-issue basis. The chairperson of the committee was involved in all aspects and levels of the campaign. This job required 1-6 hours per day of effort, days and evenings.

c. Publicity/Media. The campaign gained visibility through use of bumper stickers, window signs, posters, flyers, letters and large thermometer-like signs strategically located in town. CARE had an information table at all major school events. The print media sought out CARE. The campaign received coverage in all local papers, as well as The Tribune.





d. Cost. Major costs incurred were postage for the direct mailing to parents (approximately \$400) and printing of the flyer (\$325). These funds were derived by passing a hat and soliciting from PTA's. All other services and materials were donated and acknowledged with letters of thanks. Inkind donors could request tax deductability. Any such donations were acknowledged by the school district upon submission of documentation. Those amounts were then added to the donation total.

e. Identifying Workers. A questionnaire was circulated with the letter to parents soliciting willingness and availability to volunteer skills and services. This was the main source for involving people on specific aspects of the campaign. Approximately 70 forms were returned and catalogued on a computer loaned to CARE for three months. This response was key to the campaign. Even though relatively small in numbers, every person responded when called upon and gave quality time and effort. A log was kept for kinds of services rendered. This will be helpful for future campaigns.

f. Computer Capability. The school district has no master list of parents. One must be generated yearly from lists from each school site. These must be collated and culled for duplicates. This process was done by a computer. The district has applied to the Televideo Foundation for a computer that could be used in succeeding campaigns. This computer could be used to keep track of lists, donations, and implement a pledge program.

g. Role of School Board/Administration. Donations were made directly to the school district. These funds were kept in a special account. Administrative staff processed and acknowledged each donation. A volunteer committee was kept in reserve to aid staff, but was not activated.

The policy of the school board was to use funds raised to buy back programs slated for reduction. In conjunction with administration and community, a prioritized replacement list was developed.

h. Recommendations for Future Campaigns. An educational foundation should be formed to conduct future fund raising campaigns. This group should be more representative of the Albany community than was CARE. Independence from the school district will allow for the use of more aggressive techniques, including a pledge program and acceptance of credit card payment. Financing a campaign will be possible, since the foundation board will be able to spend funds.

2. Moraga School District. (K-8) A foundation was set up five years ago to solicit parents and community directly. One successful campaign was a "Phone-a-Thon", in which parents were asked for a \$125 donation. The co-chair was Mrs. Marna Eyring (376-6980). Approximately \$95,000 was raised.



3. Piedmont School District. This district had a foundation in place when their budget problems began. The school board worked closely with the foundation and produced very successful results. The first year, \$300,000 was raised. \$400,000 and \$550,000 were raised in subsequent years. Parents were urged to donate \$200 per student. Each classroom had a parent captain who contacted parents and saw to it that they donated some amount. A pledge program was used very successfully. 95% of these pledges were collected. The board of the foundation were community leaders. They were responsible for soliciting major donations. There were 650 "major" donors. The bulk of the work was done by a steering committee of 35 people. The fund raising lasted for three years. It was decided that the group was close to burn-out after that time, and chose instead to mobilize their resources to pass a tax levy.

### Fund Raising Events

#### 1. Criteria.

a. Amount of money the event or activity has potential to raise, with a suggested minimum of \$5,000.

b. Amount of time needed from beginning of planning to completion of activity.

c. Amount of effort it takes to set up and administer the activity.

d. Impact on other fund raising efforts in the community. Activities should be coordinated with other groups such as PTA's, Band Boosters, Athletic Boosters, AFS, YMCA, Friends of the Library, etc. Careful planning and a scrupulous regard for the schedules and calendars of other charitable organizations are necessary.

e. Need to analyze the calendar for maximum impact.

#### 2. Examples.

a. New Haven (Union City) - Bingo. The New Haven Unified School District runs a very successful Saturday night Bingo game. Average attendance is about 300 and varies from 100 to 450 people. In 1984 direct grants of \$250,000 were given to the District, in 1985 about \$180,000. The money is administered by a foundation set up five years ago. Three of the five voting members on the foundation's board are on the staff of the superintendent of schools. The person in charge is Randy Panietz, Coordinator, Community Services (471-1100).

b. Albany. The following groups presently raise funds for the schools: Albany Band Boosters, Albany Athletic Boosters, PTA's, Albany AFS.





c. Suggestions for other events include: professional concert in a large hall; Golden Grain Company "Pasta with a Flair"; ACT benefit; local cinema school night; 49'er basketball game; casino night; benefit golf tournament; raffle of a large money item.

3. Other.

a. The State Chamber of Commerce has a committee called Project BET (Better Education for Teachers) which helps communities work with their own Chamber of Commerce to raise money for educational purposes. The state director, Jim Harper (916-444-6670), is working with Peggy Carlock on a project and is willing to help our local Chamber if needed.

b. Former students should be contacted through alumni groups and class reunions.

Resources

1. Joan Sextro  
Chairperson, CARE  
526-7447
2. Dick and Becky Hemann  
AHS Band Boosters  
524-1653
3. Larry Eaton  
Albany Athletic Boosters  
525-7131 (AHS)
4. Marna Eyring  
Moraga Foundation  
376-6980
5. Randy Panietz  
New Haven School District  
Coordinator, Community Services  
471-1100
6. Jim Harper  
State Chamber of Commerce  
Project BET  
(916) 444-6670
7. Sherry Wray  
Albany AFS  
527-3612
8. Virginia (Gerry) Stahl  
Piedmont Foundation  
547-5953



## FEDERAL, STATE, AND LOCAL SOURCES

### SUMMARY

Proposition 13, the Gann initiative, the Gramm-Rudman-Hollings "meat-ax" approach to Federal deficits, the Reagan "no-new-taxes" budgets, and local resources as limited for the City of Albany as for the Albany Unified School District, lead to the conclusion that present governmental sources will not be able to restore our finances. We must look to the Albany community to support a tax levy.

### FEDERAL

Over the past several years, Federal funds have represented less than two percent of general fund revenues. The data are as follows:

	<u>Actual</u> <u>1983/84</u>	<u>Actual</u> <u>1984/85</u>	<u>Projected</u> <u>1985/86</u>	<u>Projected</u> <u>1986/87</u>
<u>Revenue:</u>				
Federal	\$ 113,137	\$ 120,585	\$ 116,088	\$ 105,970
Total	\$6,487,967	\$7,053,928	\$7,877,819	\$8,273,226
Percent:	1.7%	1.7%	1.5%	1.3%

Thus, Federal funds represent only a small portion of the budget. They represent specific programs with detailed requirements. There is no evidence that Albany Unified School District has failed to pursue Federal programs for which it is eligible. In the era of Gramm-Rudman-Hollings, it is unreasonable to look to the Federal government for additional funds.

A recent vote in the House of Representative defeated a coalition alternative budget. For education, the budget proposed to restore funding for all educational programs targeted for reduction and provided funding for the Effective Schools Development in Education Act: \$7.80 billion for elementary and secondary education and \$8.63 billion for higher education.

### STATE

State funds are procedurally controlled very tightly at the State level. The District does not even apply for funds, but rather is told by the State what funds will be distributed. While there may be some theoretical risk of miscalculation, all figures are triple checked at each of the State, County, and District levels.

The issue of full funding of State-mandated programs is one of major concern. The Property Tax Relief Act of 1972 and Article XIII B of the California Constitution would appear to require full State funding of mandated programs. However, this is not a major source of funds. Many State programs are stated as "should" or "ought" or "may" rather





## COMMUNITY SUPPORT

Albany's greatest asset in this time of difficulties in school financing is the long tradition of support from the citizens of Albany. We are going to need an intensive campaign to educate the public to the incredible complexities of the current situation. This is not going to be easy as cuts are going to hurt. We need to work together and to work hard to restore public education to its full potential.

## SOURCES:

Bill Haden, Administrative Officer, City of Albany  
Tom Bates, Assemblyman, 12th District  
Garry Hart, Education Committee, House of Representatives  
School Services of California, Inc.  
Janice Smith, Director:Business Services, Albany Unified Schools  
Dale Hudson, Superintendent of Schools  
Dick Rosenquist, Assistant Superintendent

PREPARED BY:        Alan Riffer  
                         Catherine Webb



## GRANTS AS A SOURCE OF REVENUE FOR ALBANY SCHOOLS

### GRANTS FROM PRIVATE FOUNDATIONS

#### The role of foundation giving

Foundation giving is relatively small compared to charitable giving by individuals, and very small compared to government spending. Total foundation giving in the United States in 1984 was about \$4.4 billion, compared to individual giving of \$61.6 billion.

The competition among nonprofit organizations for foundation support is keen. Foundations do not have nearly enough money to fund all the proposals they receive, and they usually do not have enough staff to review all the proposals they receive carefully.

Yet foundations want to make their presence felt; foundation trustees want to feel that their grants make a difference. For this reason most foundations try to focus their giving on specific areas or programs. Focused giving

1. Helps reduce the number of proposals that foundation staff must give serious attention to
2. Permits foundation staff to acquire expertise in the areas of interest, and thereby to review proposals more intelligently
3. Helps applicants determine which foundations offer the best chances of success

#### Leverage and investment characteristics of grants

Because foundation funds are small compared to the level of need in the nonprofit world and the scale of the problems being addressed, foundations like to make grants that have leverage potential, or investment characteristics: grants that promise to reap benefits beyond those gained from the initial expenditure. Some examples are

seed money, e.g. to organize an effort

matching grants, to stimulate support from additional donors

pilot or demonstration projects to test a new approach

efforts short of lobbying that may influence public policy

projects in which two or more organizations combine efforts

in education, efforts with investment characteristics, such as teacher training and curriculum development, or efforts that focus private resources on public schools





Conversely, foundations are often reluctant to make grants that

- supplant tax dollars
- subsidize general operating expenses
- rescue failing operations
- provide on-going support over a long period of time
- encourage a grantee to become dependent on a single foundation for support over a long period of time

#### Diversity in the foundation world

The above generalizations notwithstanding, no two foundations are exactly alike. Foundations vary greatly in the amount of their annual giving, typical grant size and duration, types of organizations funded, and purposes for which grants are awarded. Some strongly emphasize the importance of leverage in their giving; others are content simply to provide general support to charities. Some will not support agencies (like school districts) that are supported primarily by tax dollars; others will.

Foundations differ procedurally as well. Some have well-defined giving interests and relatively large staffs that investigate applications thoroughly and require detailed reports on the use of their funds. Others, preferring to keep their overhead low, have small staffs that process applications in a more cursory way; their giving interests may be only loosely defined and their reporting requirements minimal.

#### Grantmaking for public education in the Bay Area

Grants recently made in the Bay Area to support public education fall into three categories according to the type of organization funded:

1. Grants made to educational foundations supporting programs in public school districts

E.g., the Cowell Foundation (San Francisco) during 1983-84 made a number of seed grants for programs "to obtain private support for public schools." These grants ranged from \$300,000 over three years to the San Francisco Education Fund to \$15,000 to the Mill Valley Schools Community Foundation.

2. Grants made to other non-profit organizations carrying out projects to improve public education

E.g., The East Bay Community Foundation (Oakland) granted \$5,000 to the Valley Community Health Center, Pleasanton, for a sexual abuse intervention program providing counseling and classroom programs in Livermore/Amador Valley

The San Francisco Foundation in 1984 gave \$135,000 to the Institute for Developmental Studies (Oakland) to train kindergarten and



pre-kindergarten staff and develop curricula to implement a new approach to improving learning

The Zellerbach Family Fund (San Francisco) in 1984 gave \$20,000 to Children's Own Stories for a storywriting and publishing project in San Francisco public schools

3. Grants made directly to public school agencies--at the county level, the district level, or the school level

The Hewlett Foundation (Menlo Park) in 1984 granted \$25,000 to the Santa Clara County Superintendent of Schools for project Si Se Puede, a dropout prevention program in San Jose

The Walter S. Johnson Foundation (Menlo Park) in 1983 gave \$10,000 to the San Jose Unified School District for the "Global Education project"

The Stulsaft Foundation (San Francisco) in 1983 gave the Redwood City School District \$10,000 to support a community/school program in parent education.

The California Educational Initiatives Fund (San Francisco), a consortium of California grantmakers interested in education, made grants of up to \$15,000 for projects in 14 Bay Area school districts in April 1986. Statewide, the Fund selected 71 out of 385 proposals for funding.

#### Albany schools as a grantee

##### Strengths and weaknesses of our position

Weaknesses first:

1. We are a small district; prospective funders will not feel that grants made in Albany will affect very many children
2. We have good schools; prospective funders will not feel that our schools need help as much as schools in other districts that are not performing well
3. We are not a poor community; again, our level of need will not be considered great
4. We do not suffer from high levels of problems that foundations are currently giving a lot of attention: school dropouts, adolescent pregnancies, drug abuse, violence, poor academic programs

Strengths:

1. We have a supportive community; foundations like to support projects that have demonstrable community support in labor and/or dollars





2. We have a talented community, with a number of members who have the analytical and writing skills necessary to prepare strong grant applications
3. Our proximity to UC Berkeley makes us an attractive focus for UC projects, which are sometimes funded by foundation dollars
4. Some observers of the foundation scene feel that foundations are becoming a bit more willing to consider making grants for public education than they have been in the past, partly because program officers know that education in California is badly underfunded, and partly because the "education reform movement" has received so much attention.

#### Past efforts by Albany to tap private foundation resources

At the direction of Superintendent Goldstone, Craig Boyan, Director of Special Services, investigated the possibility of obtaining grants from private foundations five years ago. He concluded that on the whole, Albany did not appear to be an attractive focus for foundation attention. Hence the likely returns from proposals would not adequately repay the time and energy required in preparing them. The District accordingly has concentrated its energies on obtaining grants from government agencies, primarily the State Department of Education, which is a more reliable source of funding.

Albany has on occasion applied for private foundation grants, however. Some years ago we received a \$10,000 grant from the Bank of America Foundation for job training. Subsequently, we have applied every year to the California Educational Initiatives Fund (a consortium of foundations, including Bank of America), but so far we have not been successful. We benefited from a grant by the San Francisco Foundation, administered through UC Berkeley, for the development of our health curriculum. Subsequently, the San Francisco Foundation turned down, without extensive review, an application from Albany for support for a Kodaly music program. Another application, prepared in collaboration with UC Berkeley, for a program focusing on minority and female students at the Middle School and High School, was likewise unsuccessful.

#### Recommendations

Clearly the weaknesses of our position outlined above outweigh the strengths. We cannot look to foundation support to solve our central problem of funding the basic operating expenses of our district. We cannot rely on foundation support as a consistent funding base for enhancements we might want to provide to the core program. The chances are slim that a particular grant application, even if carefully researched and prepared, will result in dollars to our district. Since grantwriting is time-consuming and our administrative staff is small, it does not make sense for our district administrators to spend the time it would take to pursue private foundation grants aggressively.

To the extent that volunteer energy permits, however, foundation-



us. A nonprofit organization offering drug abuse counseling might be able to obtain foundation funding to provide these services in our schools, for example.

Several educational foundations in Bay Area school districts have obtained start-up grants from local private foundations, especially the Cowell Foundation. We should pursue this avenue aggressively if we decide that an educational foundation would be right for Albany.

Finally, our relationship with UC Berkeley has in the past resulted in a number of enhancements to our district programs that were at least partly funded by foundations. The Bay Area Writing Project, MESA, SUPER, and our health curriculum are examples. We can continue to take advantage of our proximity to UC in this way.

#### GRANTS FROM PUBLIC AGENCIES

Since 1980-81, Albany has received over \$200,000 in state and federal grants for education, or some \$30,000 per year. The amount can fluctuate considerably from one year to the next; grants from the state are by far the larger share.

Craig Boyan estimates that roughly 30-50% of the applications we make are successful. Although I have so far been unable satisfactorily to compare our success rate and grant income with those of other districts, the indications are that we are pursuing these types of grants diligently and with good success.

#### Recommendation

The District should continue pursuing these grants as it has in the past.

#### SOURCES AND RESOURCES

Albany Unified School District. Dick Rosenquist and Craig Boyan are particularly knowledgeable about the District's past and current grant applications.

Educational foundations. Some of our neighboring school districts have educational foundations with staff members experienced in grantseeking. I have found these people to be quite generous about sharing their expertise.

Hayward Education Fund. Ann Flinn, Executive Director, 582-0608.  
Marcus A. Foster Educational Institute (Oakland). Ada Cole,  
Executive Director, 835-0391.

San Francisco Education Fund. Andrew L. Bundy, Director of  
Development and Public Information, 621-5728.





watching and grantwriting could be appropriate activities for an Albany educational foundation, along with community fundraising efforts. Some grantmakers regard a community educational foundation organized to support public schools as a more attractive grantee than the public schools themselves. Board members of a community educational foundation could work with site councils and the district administration to identify problems that might be addressed by specific projects that would be attractive to foundations. For example, it might be possible to help meet the needs of our ESL students by using adult volunteers who are fluent in the different language groups represented in our schools as well as in English. A private foundation could be approached for start-up costs for a program to recruit and train them.

Some foundations that appear to be particularly worth watching are:

The East Bay Community Foundation - has not done much in education, but it is our local community foundation.

Sandra Pyer, Executive Director. Phone 658-5441.

The Cowell Foundation - a number of start-up grants to educational foundations in the Bay Area.

Stephanie R. Spivey, Executive Director. Phone 397-0285.

The San Francisco Foundation - big, and has an education program.

Berneice Brown, Program Officer for Education.

Phone 392-0600.

The Walter S. Johnson Foundation - a small foundation, but it gives exclusively for public education projects; will make relatively large multi-year grants; appears to investigate proposals carefully.

Donna Terman, Executive Director. Phone 326-0485.

The Zellerbach Family Fund - small, and does little in education, but might be approachable.

Edward Nathan, Executive Director. Phone 421-2629.

McKesson Foundation - a corporate giving program that might not be interested in little Albany, but it has a special interest in middle-school-aged kids.

Marcia Argyris, President. Phone 983-8673.

L. J. Skaggs and Mary C. Skaggs Foundation - has not done much in education, but it's in Oakland.

David Knight, Administrative Assistant. Phone 451-3300.

Bank of America Foundation (California Educational Initiatives Fund) - Albany has been applying unsuccessfully, but we should continue applying; they do give grants to small districts; the application process is relatively simple.

Caroline O. Boitano. Phone 953-0932.

We should also remain open to the possibility of getting more resources by letting other social agencies apply for grants to provide services for



Foundation Center Library. 312 Sutter Street, #312, San Francisco, CA 94108. Phone: 397-0902.

An excellent collection on grantmakers and fundraising techniques, tended by a helpful staff.

Foundation annual reports. Most foundations publish application guidelines and/or annual reports describing their grantmaking program and listing grants recently made. This information can be helpful in determining whether a particular proposal fits a foundation's giving focus, including the geographic area served, the typical grant size, the program interests, and so on. Phone foundations for these free documents, or find them in the Foundation Center Library. A collection assembled by the New Revenues Committee for the purposes of this report is available from Ellen Hershey, 982-1144 (work) or 525-5708 (home).

Grants for Elementary and Secondary Education. The Foundation Center, 1985.

A computer-generated index to grants of at least \$5,000 to private and public schools, and to other agencies and institutions active in the education field. Grant listings are organized by state and foundation; information given includes the grantee's name and location, year and amount of grant, and a brief description of its purpose. This document is available in the Foundation Center library, San Francisco.

Guide to California Foundations. 6th ed. San Francisco: Northern California Grantmakers, 1985.

The Bible for fundraisers seeking grants from California foundations. Northern California Grantmakers publishes it every two years. Available in the Foundation Center library, or to purchase (\$16.00) contact NCG at 334 Kearny Street, San Francisco, CA 94108; phone 788-2982.





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